

Message Text

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41

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AF-10 ARA-11 EA-11 NEA-10 RSC-01

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02

H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12

PRS-01 OMB-01 RSR-01 OIC-04 /225 W
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P 041305 Z JUL 73

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 201

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

USMISSION EC BRUSSELS PRIORITY UNN

USMISSION OECD PARIS PRIORITY UNN

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PASS STR

SO 11652: N/ A

TAGS: ETRD, EEC, US, GATT

SUBJ: GATT ARTICLE XXIV:6 RENEGOTIATIONS: SIXTH US- EC MEETING

REF: (A) GENEVA 3238 7 B) GENEVA 3298

SUMMARY: EC PRESENTED SUMMARY TABLE SHOWING RESULTS

ITS STATISTICAL ANALYSIS (SEE REFTEL A) OF ITS OFFER

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TO DATE. US POINTED TO DEFICIENCY OF THIS ANALYSIS
WHICH IS STATISTICALLY IMCOMPLETE AND WHICH OMITTS
QUALITATIVE FACTORS. US MADE STATEMENT (SEE REFTEL B)
BASED ON ITS OWN ANALYSIS OF EC OFFER, SHOWING THAT

ADDITIONAL COMPENSATION IS DUE US IN BOTH INDUSTRIAL AND AGRICULTURAL SECTORS. EC MAINTAINED THAT QUANTITATIVE, NOT QUALITATIVE FACTORS, MUST PLAY PREDOMINANT ROLE IN ANALYSIS OF PROPOSED WITHDRAWALS AND OF OFFER; ASSERTED EC HAS CREDIT IN INDUSTRIAL SECTOR; UNDERTOOK CONSIDER US STATEMENT. MEETING MADE NO PROGRESS IN NARROWING DIFFERENCES; BU EC MAINTAINED ITS BALANCE SHEET WAS NOT NECESSARILY CONCLUSIVE AND LEFT THE DOOR OPEN TO FURTHER MOVES BY THE EC IN EITHER DIRECTION. END SUMMARY

1. EC REP (LUYTEN) PRESENTED EC STATISTICAL SUMMARY ANALYSIS OF EC OFFER AND GAVE EXPLANATION SIMILAR TO THAT REPORTED REFTEL A.

2. US REP. (PROPPS) THEN DELIVERED STATEMENT REPORTED REFTEL B.

3. EC REP GAVE PRELIMINARY RESPONSE. HE FELT CRUCIAL QUESTION DIVIDING US AND EC IS EXTENT TO WHICH A CP IS ENTITLED TO USE A QUALITATIVE APPROACH IN EVALUATING THE ADEQUACY OF AN OFFER. IN THESE RENEGOTIATIONS, EC FEELS IT IS QUANTITATIVE APPROACH THAT SHOULD BE PREPONDERATE BECAUSE: (A) WE ARE DEALING PRIMARILY WITH KR CONCESSIONS WHICH TAKE ACCOUNT OF BOTH DIRECT AND INDIRECT BENEFITS, (B) WE ARE NOT DEALING WITH SELECTIVE WITHDRAWALS OR OFFERS SINCE THE THREE NEW MEMBERS OF THE CUSTOMS UNION HAVE MERELY ADOPTED THE TARIFF OF THE LARGEST MEMBER, THE EC OF SIX, (C) THE US HAD USED QUANTITATIVE APPROACH IN RTS NEGOTIATIONS. FURTHERMORE, IF QUALITATIVE APPROACH WERE TO BE FOLLOWED IT WOULD HAVE TO TAKE ACCOUNT OF ALL REALITIES. HE ALLUDED HERE TO BOTH CURRENCY REALIGNMENT AND TO VARIOUS NON- TARIFF FACTORS IN THE AGRICULTURAL AREA INCLUDING CHARGES OR PRICES AND VARIABLE LEVIES. HE URGED US STICK TO STATISTICAL APPROACH (WHICH HE EQUATES WITH " CLASSIC GATT RULES") AS ANY LIMITED OFFICIAL USE
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ARGUMENT COULD BE INVOKED ON QUALITATIVE GROUNDS. EC REP ALSO CRITICIZED US FOR FAILING GIVE ADEQUATE WEIGHT TO THE DYNAMIC EFFECTS OF CUSTOMS UNIONS.

4. EC REP CONTENTED THAT COMMON SENSE AND SPIRIT OF GATT WERE ON EC SIDE, NOT US SIDE. SAID US IS ACTING CONTRARY TO INTENT OF GATT BY TAKING INTO ACCOUNT AS QUALITATIVE FACTOR IN EVALUATING EC OFFER, INCREASING COMPETITION RESULTING FROM ELIMINATION OF DUTIES IN CUSTOMS UNION. HE SAID US APPROACH AMOUNTS TO ASKING EC TO PAY FOR FORMATION OF CUSTOMS UNION.

5. IN REGARD TO US ANALYSIS EC OFFER IN INDUSTRIAL SECTOR, EC WAS SURPRISED TO LEARN US FELT EC HAD A DEBIT IN THIS SECTOR. EC MAINTAINS IT HAS SUBSTANTIAL AND VALID CREDITS; THE CONTRARY COULD NOT BE PROVED AND US WAS AUDACIOUS IN ATTEMPTING TO DO SO. HE ASKED HOW US COULD CONTEND THAT IT DOES NOT BENEFIT FROM TARIFF REDUCTIONS, SUCH AS THOSE ON SEVERAL ITEMS OF CONSIDERABLE US EXPORT INTEREST; E. G. COMPUTER COMPONENTS (FROM 14 PCT TO 6 PCT) COMPUTERS (FROM 14 PCT TO 7 PCT), TELEVISION TUBES (20 PCT TO 9 PCT), SCIENTIFIC INSTRUEMNTS (FROM 12 1/2 TO 6 1/2) AND PARTS FOR SCIENTIFIC INSTRUMENTS (FROM 15 PCT TO 6 1/2).

6. IN REGARD TO US AGRICULTURAL ANALYSIS, EC REP CONTINUED TO MAINTAIN IT IS IMPOSSIBLE TO MEASURE EFFECT OF VARIABLE LEVIES. REGARDING TOBACCO, EC DATE SHOW A CREDIT WHICH IS NOT NEGLIGIBLE.

7. EC REP CLAIMED HE SAW NO CONSISTENCY IN METHODS USED BY US TO ANALYZE ITS POSITION IN AGRICULTURE AND IN INDUSTRY. HE ACCUSED US OF CHOOSING ITS METHODS ACCORDING TO WHAT IT WISHES TO PROVE. HE STATED THE AGRICULTURAL ANALYSIS HAD MORE FIGURES THAN THE INDUSTRIAL ANALYSIS, WHERE ONLY THE CONCLUSIONS WERE PRESENTED.

8. IN RESPONSE TO EC REPS CONTENTIONS, US REP STATED THAT IN RELYING HEAVILY ON QUALITATIVE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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CONSIDERATIONS US WAS FOLLOWING NORMAL GATT PRACTICE AND PRECEDENT. US DREW ON ITS STATEMENT TO EMPHASIZE THE BENEFITS OF TARIFF REDUCTIONS ON SPECIFIC PRODUCTS ARE TAKEN INTO ACCOUNT IN US ANALYSIS. HE DENIED US SEEKS TO HAVE EC " PAY FOR" CUSTOMS UNION. HE ALSO STATED THAT USE OF QUALITATIVE CONSIDERATION IN EVALUATING CONCESSIONS SHOULD BE LIMITED TO THOSE MOST RELEVANT TO VALUE OF THE CONCESSIONS CONCERNED; THIS NOT THE CASE IN RELATION TO MONETARY REALIGNMENTS WHICH AFFECT ALL PRODUCTS ACROSS THE BOARD.

9. US REP STATED THAT RTS NOT ANALAGOUS TO THESE RENEGOTIATIONS. IN THE RTS US REBOUND ALL ITEMS ON WHICH IT HAD PREVIOUS BINDINGS AND MADE NO CHANGES IN RATES ON 92 PERCENT OF TRADE ON WHICH EEC HAD NEGOTIATING RIGHTS. IN PRESENT RENEGOTIATIONS MANY BINDINGS BEING WITHDRAWN WITHOUT REPLACEMENT. IT IS TRUE THAT IN RTS US PRESENTED EC WITH BALANCE SHEET, BUT WHEN EC TABLED REQUESTS ON 89 ITEMS WE NEGOTIATED ON THESE.

10. US REP URGED CAREFUL CONSIDERATION OF US POSITION BY EC COMMISSION AND MEMBER STATES. HE STRESSED THAT QUALITY HAS ALWAYS BEEN CONSIDERED IN PAST NEGOTIATIONS. IF STATISTICS ALONE WERE CONCLUSIVE THERE WOULD BE NO NEED TO NEGOTIATE. WHAT IS NEEDED NOW IS PRAGMATIC SETTLEMENT. ACCOMMODATION IS NEEDED ON A RESTRICTED NUMBER OF ITEMS OF PARTICULAR SIGNIFICANCE TO THE US.

11. EC REP STATED THAT EC WILL EXAMINE US STATEMENT AND WILL LET US KNOW IF EC SEES A NEED FOR ANOTHER FORMAL MEETING. BASSIN

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Disposition Date: 28 MAY 2004
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DUBLIN
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LONDON
LUXEMBOURG

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